



A Report
to the
Board of
Supervisors

*Maricopa County
Internal Audit
Department*

Ross L. Tate
County Auditor

Grant Funded Organizations Federal Audit Compliance

*County Subrecipients Comply with
Audit Requirements*

February ■ 2011

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The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

The mission of the Internal Audit Department is to provide objective information on the County's system of internal controls to the Board of Supervisors so they can make informed decisions and protect the interests of County citizens.

The County Auditor reports directly to the Maricopa County Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.

Audit Team Members

Richard Chard, CPA, Deputy County Auditor

Christina Black, CGAP, Audit Supervisor

Ronda Jamieson, CPA, CGAP, Associate Auditor

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"Do the Right Things Right!"



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February 24, 2011

Andrew Kunasek, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Max W. Wilson, Supervisor, District IV
Mary Rose Wilcox, Supervisor, District V

We completed our annual Single Audit compliance reviews for federal grant funds distributed through Maricopa County to various subrecipients. This review was performed in accordance with the Board of Supervisors' approved audit plan.

We examined the audited financial and grant compliance reports (Single Audit reports) of 34 federal grant subrecipients to determine compliance with the Federal Single Audit Act. We found that all 34 subrecipients complied with audit requirements. However, 24 of 34 audit reports contained 100 findings related to federal grant compliance or internal controls. The findings reported by the independent auditors do not appear to impact funds passed through by the County. A summary of the findings has been forwarded to each responsible County agency. The appropriate County agencies should coordinate corrective action as needed.

This report includes an executive summary, introduction, and detailed findings. If you have any questions, please contact Richard Chard at 506-7539.

Sincerely,

A handwritten signature in dark ink that reads "Ross L. Tate".

Ross L. Tate
County Auditor

Executive Summary

We reviewed 34 subrecipient Single Audit reports in accordance with the Federal Single Audit Act. We found that all 34 subrecipients complied with audit requirements. However, 24 of the 34 audit reports contained 100 findings related to federal grant compliance or internal controls. The findings do not appear to impact funds passed through by the County. Internal Audit reported these findings to appropriate County agencies for appropriate follow-up.

Introduction

Background

In 1984, the United States Congress passed the Single Audit Act to consolidate a fragmented and inefficient approach to auditing federal grants. The Federal Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, to implement the Single Audit Act. Currently, non-federal entities that expend \$500,000 or more in federal assistance in a fiscal year are required to undergo a comprehensive financial and compliance audit each year (referred to as a Single Audit).

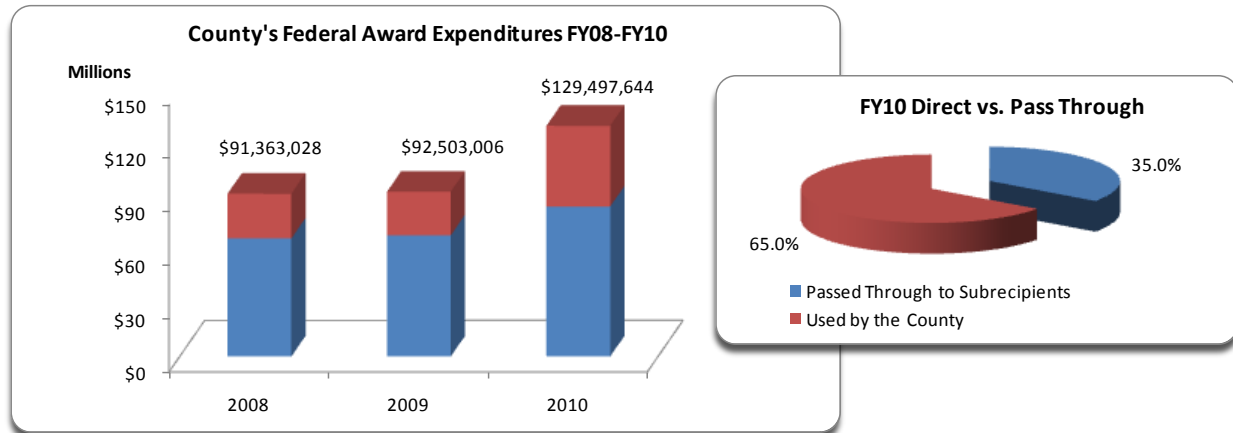
OMB Circular A-133 defines a *subrecipient* as “an organization that receives federal financial assistance to carry out a program” from a primary recipient or other subrecipient. A *pass-through entity* is a primary recipient or subrecipient that passes federal grant funds through to subrecipients.

Shown on the right is the federal funds distribution process in which Maricopa County is the pass-through entity.



The County's expenditures of federal awards increased from \$91.4 million in 2008, to \$129.5 million in FY10. Twenty-four County agencies spent \$129.5 million in federally-awarded grant funds in FY10. Of the \$129.5 million, 9 County agencies passed through \$45.3 million to cities, charitable organizations, and service foundations.

Federal Grant Funds Used and Distributed by the County



General Requirements

Annually, primary recipients and subrecipients that exceed the \$500,000 “grant funds expended” threshold must engage independent auditors to conduct audits according to the Single Audit Act. The auditors perform uniform audit procedures established by the Single Audit Amendment of 1996 and produce a Single Audit reporting package that includes the following:

- Independent Auditor's Report
- Audited Financial Statements
- Schedule of Expenditures of Federal Awards
- Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Corrective Action Plan (if appropriate)

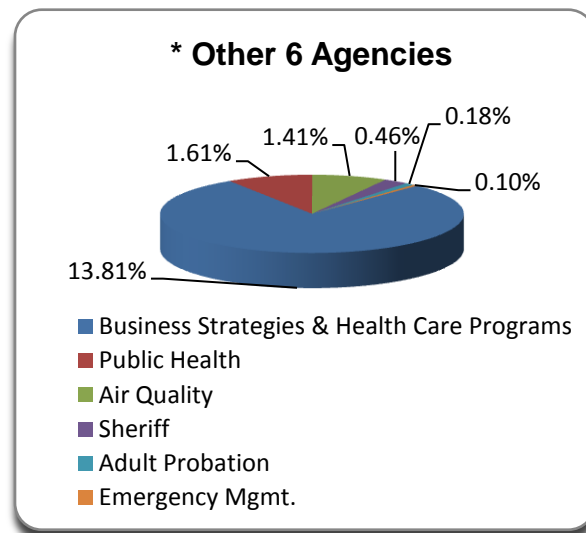
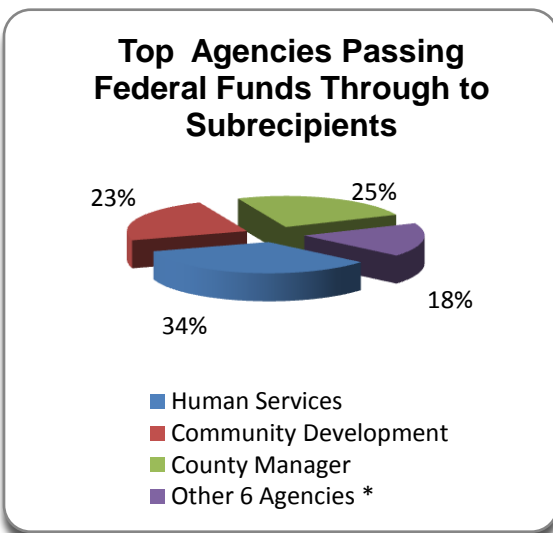
When an auditor's report identifies findings related to the federal award, the pass-through entity must issue a management decision on the findings within six months of receiving the reporting package. The entity also ensures that the subrecipient takes appropriate corrective action.

County Agencies That Passed-Through Federal Funds

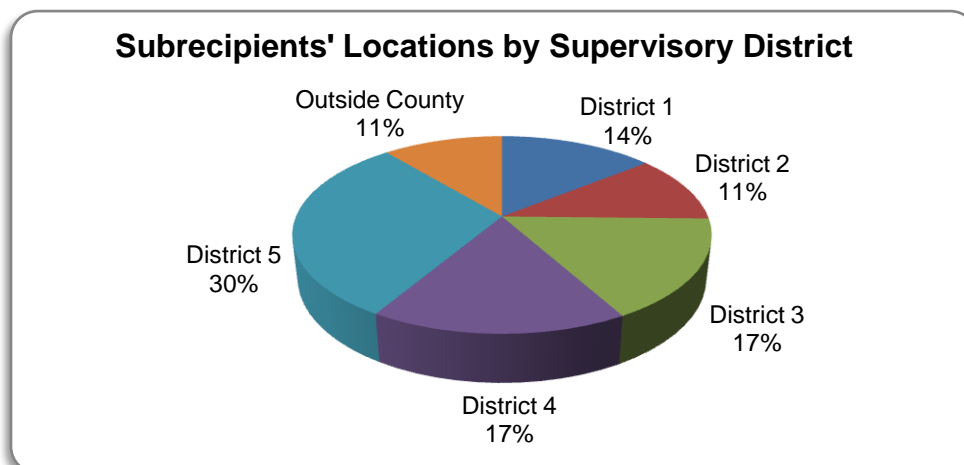
As reported by the County's financial system and unaudited *Schedule of Expenditures of Federal Award*, the following 9 County agencies passed through \$45.3 million in federal grant funds to subrecipients in FY10. Community Development and the Sheriff's Office have opted to perform their own Single Audit compliance reviews. Internal Audit reviewed the other seven agencies.

- Adult Probation (APD)
- Air Quality (AQD)
- Business Strategies and Health Care Programs (BSHCP)
- Community Development (CD)
- County Manager (CM)
- Emergency Management (EMD)
- Human Services (HSD)
- Public Health (PHD)
- Sheriff (MCSO)

The following charts show each agency's portion of total grant funds passed through to subrecipient organizations in FY10.



Subrecipient organizations spending County passed-through federal funds have headquarters or satellite offices in the following Board of Supervisor districts.



Independent Auditors' Findings

Summary

We reviewed 34 subrecipient Single Audit reports in accordance with the Federal Single Audit Act. We found that all 34 subrecipients complied with audit requirements. However, 24 of the 34 audit reports contained 100 findings related to federal grant compliance or internal controls. The findings do not appear to impact funds passed through by the County. Internal Audit reported these findings to appropriate County agencies for appropriate follow-up.

Criteria

The Single Audit Act of 1984 and OMB Circular A-133 require subrecipients meeting the \$500,000 federal awards expenditure threshold to have a Single Audit report completed by an independent auditor.

The auditor is required to report financial control weaknesses or non-compliance as findings in a *Schedule of Findings and Questioned Costs*. The Governmental Auditing Standards' finding classifications include the following three categories.

- A **Material Weakness** is a significant deficiency, or combination of deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements or material noncompliance with a federal program will not be prevented or detected by the entity's internal controls.
- A **Significant Deficiency** is a deficiency in internal control, or combination of internal controls, that adversely affect the entity's ability to process and record data and financial information or administer a federal program. If a significant deficiency exists, there is more than a remote likelihood that a material misstatement or noncompliance with a federal program will not be prevented or detected by the entity's internal controls.
- A **Control Deficiency** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements or noncompliance with a federal program on a timely basis. These are communicated in a separate management letter.

Condition

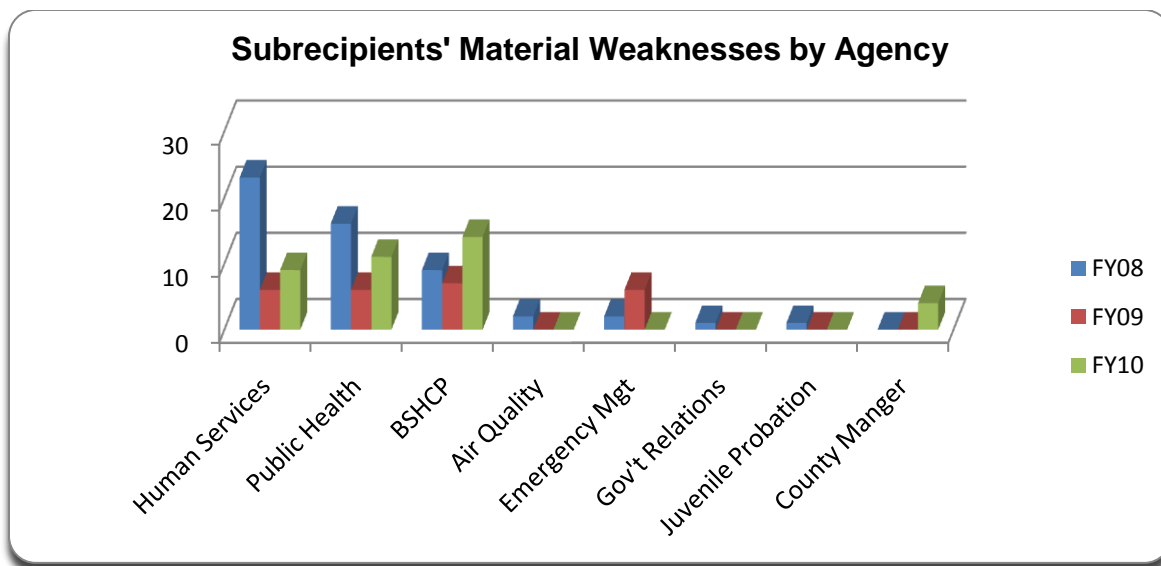
We determined that 97 organizations received federal funds from Maricopa County pass-through distributions. Of the 97 organizations, 77 subrecipient organizations were required to comply with the Single Audit Act and submit their audited reports to Maricopa County. Thirty-four of the subrecipients submitted their reports to the County within our review period, which ended January 14, 2011. All 34 reports we reviewed complied with Single Audit Act requirements. Audit reports due after our review will be included in our next Single Audit compliance report. The following table displays the distribution of the subrecipient's Single Audit submittal status.

Status of Subrecipient Single Audit Reports		
<u>Year</u>	<u>Single Audit Status</u>	<u>Quantity</u>
FY10	Reports submitted	11
	Reports due after reporting period	43
	Under federal threshold *	19
	Federal Agency *	1
	FY10 Total	74
Prior Years	Reports submitted	23
	Reports not submitted	0
	Prior Year Total	23
	Grand Total	97

* Single Audit not required

Thirty-Four Subrecipient Organizations Submitted Single Audit Reports to Internal Audit

Our review of 34 audit reports identified 24 reports that contained 100 findings as summarized on page 6. Of the 100 findings, 24 were material weaknesses. A description of each finding is available upon request. We reported these findings to the appropriate County agencies for appropriate follow-up.



Summary of Findings Reported in Single Audit Reports					
Subrecipient Name (2010 unless indicated)	Agency Passing Through Funds	Material Weakness	Significant Deficiency	Control Deficiency	Total
Adelante Healthcare, Inc (formally Clinica Adelante, Inc) (11/30/09)	PHD	0	2	0	2
Catholic Charities Community Services, Inc	HSD	0	3	0	3
Catholic Healthcare West	PHD	0	4	0	4
City of Peoria	CM	0	1	4	5
City of Phoenix (06/30/09)	JPD, PHD	0	1	3	4
City of Scottsdale	CM	2	3	0	5
Community Information & Referral	BSHCP	1	0	0	1
Community Legal Services (12/31/09)	BSHCP	0	0	3	3
Community Services of Arizona (09/30/09)	HSD	1	6	10	17
Ebony House (06/30/09)	BSHCP	0	3	8	11
FSL Home Improvements (06/30/09)	HSD	1	2	0	3
FSL Programs (06/30/09)	HSD	1	3	0	4
Goodwill Industries of Central AZ (12/31/09)	HSD	0	0	2	2
Jewish Family & Children's Services (06/30/09)	BSHCP	0	0	3	3
La Paz County (06/30/06)	HSD	1	1	0	2
Mountain Park Health Center (11/30/09)	PHD	3	1	1	5
Phoenix Shanti Group, Inc (12/31/09)	BSHCP	2	1	0	3
Pinal-Gila Long Term Care (06/30/09)	BSHCP	3	3	1	7
State of Arizona – Dept of Correction, Dept of Health Services, and ASU Community Health (06/30/09)	PHD, BSHCP	4	2	0	6
Sun Life Family Health Center, Inc	BSHCP	0	1	0	1
Town of Gila Bend (06/30/08)	HSD	2	2	0	4
Town of Gila Bend (06/30/09)	HSD	3	0	0	3
Town of Guadalupe	HSD	0	0	1	1
Valley of the Sun YMCA (06/30/09)	HSD	0	0	1	1
Totals		24	39	37	100